

SOLID WASTE DIVISION CAPITAL IMPROVEMENT PROGRAM

Introduction to Program, Goals, and Highlights

The purpose of the Solid Waste Division capital program is to maintain the transfer and disposal system's ability to meet service demands. The program also ensures that these facilities are maintained and operated in accordance with applicable regulations and in a safe and environmentally responsible manner.

The 2008 capital program includes the staged closure of Refuse Area 6 at the Cedar Hills Regional Landfill. Design will continue for Cedar Hills Refuse Area 7. New waste handling facilities recommended in the Solid Waste Transfer and Waste Export System Plan are being requested for the Northeast Lake Washington and South King County areas. Design for the Bow Lake Recycling and Transfer Station project is on-going. Construction of the replacement Shoreline Recycling and Transfer Station [formerly named First Northeast Transfer Station] began in mid-2006 and will be substantially complete in early 2008. Design of the replacement Factoria Recycling and Transfer Station and upgrades to the Houghton transfer station are proposed. Roofs have been replaced at two sites to address safety and seismic concerns and funding is available for a similar upgrade at the Houghton Transfer Station after the Shoreline facility re-opens. These projects represent important steps in the process of providing safe, efficient service, and maintaining a competitive waste disposal business environment.

Project Prioritization Methodology

The highest priority solid waste projects are developed in order to comply with legal requirements such as the King County Board of Health Code (Title 10), Washington State Minimum Functional Standards for Solid Waste Handling (WAC 173-3-4), and Department of Labor and Industries mandates. The methodology used by the Division is based on the following criteria: regulatory mandates, the nature of the projects, and planning documents such as the Comprehensive Solid Waste Management Plan and the Cedar Hills Site Development Plan. In addition, annual site inspections are performed to determine items to consider in CIP planning or for incorporation into the Capital Asset Maintenance Program (CAMP). The timing of new landfill areas and transfer station development and construction are based on facility conditions from these inspections, tonnage projections, and policy direction. Construction is planned to minimize impact on the Division's customers and operations. The replacement or rebuilding of "rolling stock", funded through the Capital Equipment Replacement Program (CERP) fund, is based upon periodic evaluations of maintenance history and projected economic life.

Growth Management and Comprehensive Plan Issues

The CIP program of the Solid Waste Division is affected by the Growth Management Act (GMA) and the King County Comprehensive Plan in the following ways: the division has no specific issues relating to the GMA and concurrency. Projects requested in the division's 2008 CIP are necessary to address environmental issues, facility safety enhancement and modernization.

Financial Planning and Policy Overview

Revenue sources supporting the six-year capital program vary by fund and include the following:

The Landfill Reserve Fund (LRF) collects dedicated per-ton fees from waste disposal activities and is used to develop future landfill areas and landfill closure projects. The financial planning for this fund involves identifying future needs at Cedar Hills, then adjusting the per-ton contribution to the LRF to provide the resources necessary to meet these needs. The LRF includes post-closure reserves required for maintaining the site for 30 years after it closes. Projects at the landfill will be fully funded by the per-ton contribution.

The Environmental Reserve Fund is used to fund investigation and remediation costs related to active and closed solid waste handling facilities. The fund was created with a \$17 million transfer from the former Energy Resource and Recovery Reserve Fund and covers its costs with fund balance and accumulated interest earnings. These activities are substantially complete and most of the remaining budget is recommended for disappropriation.

The Construction Fund supports capital improvement projects, primarily in the transfer system, through contributions from the Operating Fund and the proceeds of various bond issuances. The debt service costs of these bond issues are paid through revenues in the Operating Fund earned from disposal fees.

To determine the net present value of a project, each year's nominal cost estimate is discounted to the present using an interest rate that reflects what the funds could earn in the private sector. Because this rate is applied to inflation-adjusted future costs, the rate itself should reflect inflation as well. Therefore if the real pre-tax return in the private sector is 4% and the expected annual inflation rate over the construction period is 3%, a discount rate of 7% would be used. In addition, to explore the sensitivity of the present value calculation several additional computations are made using discount rates both higher and lower than the initial value.

2008 Significant Project Highlights

The Solid Waste Division has updated the names of all new transfer station and facility replacements beginning in 2008 Executive Proposed Budget to better identify the location and to emphasize the changing purpose of the stations. They will include general location, recycling

and transfer station (TS) in their descriptions. The First Northeast Transfer Station was the first to change, with the name Shoreline Recycling & TS as requested by the City of Shoreline.

Factoria Recycling and Transfer Station: \$19,435,000

The 2008 Executive Proposed Budget includes a significant increase to the Factoria Recycling & TS [formerly Factoria Transfer Station] project to select a design consultant and begin the permitting, design and environmental review for a new transfer and waste processing facility to replace the existing Factoria Transfer Station.

Bow Lake Recycling and Transfer Station: \$17,680,000

The 2008 Executive Proposed Budget will support the detailed facility design, site preparation contract and construction management for the project. An important requirement of the Bow Lake Recycling & TS is that it meets the building standard of immediate occupancy following a large seismic event and can continue to operate as a vital public facility.

Cedar Hills Area 7 Development: \$9,083,000

This project consists of the development of a 4.0 million-ton capacity Cedar Hills Regional Landfill Refuse Area 7. The work includes preliminary and final design, hydrogeologic investigations, preparation of a hydrogeologic report, preparation of a plan of operations, preparation of contract documents, preparation of permit documents, and the construction of underliner, landfill gas, leachate, contaminated surface water, erosion and surface water control facilities. To maintain a smooth transition of landfill operations, Area 7 will be completed between 2008 and 2009 and begin accepting waste by 2009. The next two project milestones to be completed are:

- Phase 2 final design and permitting services – 2008 projected completion
- Phase 1 excavation construction – 2009 projected completion

NE Lake Wash Recycling & Transfer Station: \$6,176,000

S King County Recycling & Transfer Station: \$5,640,000

These projects will site, permit, design, and construct new transfer and waste processing facilities to replace the Houghton and Algona Transfer Stations. The NE Lake Washington project primarily serves the cities of Redmond, Kirkland, Woodinville, and Kenmore. The South King County project serves the cities of Federal Way, Kent, Auburn, and Algona. The milestones to be completed by 2009 are the advertisement and award of design contracts.

These replacement projects have been identified in the Solid Waste Transfer and Waste Export System Plan (Plan) currently under review by the King County Council. The Plan has been developed jointly by and with the Metropolitan Solid Waste Management Advisory Committee and the Solid Waste Advisory Committee. The fee structure needed to support implementation of the Plan has received support of the Suburban Cities Association and was approved by the King County Council in July 2007.

Fund 3901 Contingency: \$5,556,000

This project implements the flexible CIP contingency budget as approved by the King County Council. This request is for 7.5% of estimated total appropriation at the start of the budget year. Because the contingency is calculated as a percent of the annual appropriation request, it has the potential to fluctuate up and down over time.

CERP Equipment Purchase: \$3,953,847

The Solid Waste Division has identified the need to adjust and delay the scheduled procurement of significant equipment replacement until 2010 due to the focus on constructing new, state of the art recycling and transfer stations. The new facilities will, in some cases, require different equipment. The Solid Waste Division is minimizing new expenditures and maintaining existing equipment to ensure the highest value for the investment of equipment prior to when the new stations begin operation. The division maintains an equipment replacement plan and provides long-term financing by making annual contributions to the capital equipment replacement fund which supports the 2008 proposed investment of \$3.9 million in equipment replacement purchases.

The total 2008 Executive Proposed CIP Budget for the Solid Waste Division is \$79,018,708. The following table displays major projects over \$1,000,000.

Significant Projects Solid Waste Capital Improvement Program	2008 Executive Proposed Budget	Continuation of Existing Project
Factoria Recycling & Transfer Station	\$ 19,435,000	X
Bow Lake Recycling & Transfer Station	\$ 17,680,000	X
Cedar Hills Area 7 Development	\$ 9,083,000	X
NE Lake Wash Recycling & Transfer Station	\$ 6,176,000	
S King County Recycling & Transfer Station	\$ 5,640,000	
Fund 3901 Contingency	\$ 5,556,000	X
CERP Equipment Purchase	\$ 3,953,847	X
Cedar Hills-Relocate Flare Station	\$ 1,407,000	X
Cedar Hills Landfill Equipment Wash Platform	\$ 1,306,000	X
Cedar Hills Landfill System Evaluation & Implementation	\$ 1,158,000	X
Houghton Transfer Station Mitigation	\$ 1,092,000	X
Enumclaw Seismic Retrofit	\$ 1,055,000	X

Council Adopted Budget:
No changes.

CIP Program Accomplishments and Completion Lists

Projects Completed in 2006

003185 South Park Investigation

Construction Projects Completed in 2007

013333 CH SW Improvements

013336 Cedar Hills GW Monitoring Wells

Construction Projects to be Completed in 2008

003093 TS Roof Replacements

013020 Houghton TS Mitigation

013091 Shoreline Recycling & TS [1st NE FMP Implementation]

013337 CH-Relocate Flare Station

013339 CHLF Env Sys Evaluation and Implementation

013340 CH-Pump Station & Conveyance Facility Improvements